

**Klickitat County, Washington**  
**January 1, 1995 Through December 31, 1995**

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**Schedule Of Findings**

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1. The County Should Improve Controls Over Public Works Materials Inventory

Our review of the inventory control system for the Equipment Rental and Revolving Fund disclosed a significant write-off of various inventory items. A year-end physical inventory taken by county personnel disclosed shortages of fuel (gas and diesel) valued at \$17,053 and gravel valued at \$104,039. The cause for the shortages could not be identified due to the following internal control weaknesses:

- a. Responsibility has not been assigned for purposes of monitoring inventory use and for ensuring that inventory is used only for proper public purposes.
- b. Inventory on hand was not reconciled to the accounting records in a timely manner and accounting records were not updated timely to allow for a periodic comparison to physical measurements of fuel or gravel on hand.
- c. Periodic tank measurements were not taken at all fuel sites.
- d. Access to gravel inventory was not effectively limited. Physical barriers (fences/locking gates) did not exist at every site. Contractors and others had keys to locked gates, allowing public access without county oversight.

RCW 43.09.200 Division of Municipal Corporations - *Uniform System of Accounting* states in part:

. . . The accounts shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction . . . .

The American Institute of Certified Public Accountants (AICPA) in its *Codification of Statements on Auditing Standards*, AU Section 319, Appendix D, states in part:

Establishing and maintaining an internal control structure is an important management responsibility. In establishing specific internal control structure policies and procedures concerning an entity's ability to record, process, summarize and report financial data that is consistent with management's assertions embodied in the financial statements, some of the specific objectives management may wish to consider include the following:

Transactions are executed in accordance with management's

general or specific authorization.

Transactions are recorded as necessary (1) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements and (2) to maintain accountability of assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Access to Assets: The objectives of safeguarding assets requires that access be limited to authorized personnel. In this context, access to assets includes both direct physical and indirect access through the preparation or processing of documents that authorize the use or disposition of assets. Access to assets is required in the normal operations of a business and, therefore, limiting access to authorized personnel is the maximum feasible constraint. The number and competence of personnel to whom access is authorized should be influenced by the nature of the assets and the related susceptibility to loss through errors and irregularities. Limitation of direct access to assets requires appropriate physical segregation and protective equipment or devices.

By failing to implement an adequate internal control system over inventory use and accountability, there is a potential for theft and other abuses to occur and go undetected.

County officials stated that low staffing levels contributed to the internal control weaknesses noted above.

We recommend that the county restrict access to inventory to only authorized employees and reconcile inventory use to accounting records on a periodic basis.

2. The County Sheriff's Office Should Follow County Policy On Overtime Payments

Our review of the Sheriff's payroll system disclosed that overtime was improperly calculated resulting in overpayments to employees.

According to the union contract, sheriff deputies are paid overtime (time and a half) for actual time worked in excess of forty-two hours based on a seven day work period. For corrections officers, the overtime threshold is actual time worked in excess of one hundred seventy-one hours based on a 28 day threshold. During 1994 and 1995, overtime was incorrectly based on the bi-monthly pay periods instead of the 7 day and 28 day thresholds. This resulted in both over and underpayment errors involving employee overtime. We also noted cases where leave time taken was improperly included as "time worked" when computing earned overtime.

We tested payroll records for the last quarter of 1995 for three deputies and two corrections officers. The net overpayment attributed to the incorrect calculation of overtime was:

Deputies	\$303.72
Corrections Officers	<u>93.68</u>
Total	<u>\$397.40</u>

The current payroll supervisor began her duties in early 1995. She stated that her methods were based on instructions given to her as part of her training by the prior supervisor.

We recommend that the sheriff's office takes steps to ensure that all overtime is properly calculated.

3. Klickitat County Should Prepare And Submit The Annual Report When Due

The Klickitat County Annual Financial Report for 1995 was not prepared and submitted to the Office of State Auditor until July 25, 1996, or 57 days after the May 29, 1996, due date.

RCW 43.09.230 and the *Budgeting, Accounting and Reporting System* (BARS) manual, as promulgated by the Office of State Auditor, Volume 1, Part 4, Chapter 1, page 7, requires the county to submit an annual report within one hundred fifty days after the close of each fiscal year.

When financial reports are not prepared and filed as required, the users of these reports are denied timely access to the county's financial information. Such users include:

- a. The taxpayers within the county.
- b. The state legislature, which receives a copy of the annual volume of comparative statistics for all municipalities, published pursuant to RCW 43.09.230.

The county was delayed in the completion of their financial reports due to a combination of the implementation of their new computer accounting software, and delays in completing year-end closing entries.

We recommend that the county submit the annual report by the due date.